



PEPSI-COLA
COMPANY

1957 *Annual Report*

TO STOCKHOLDERS



Annual Meeting

The Annual Meeting of our Stockholders, which is held each year at the Company's home office in Wilmington, Delaware, will be held there this year at two o'clock in the afternoon, on Wednesday, May 7. An official Notice together with a Proxy and a Proxy Statement accompany this Annual Report.

It is hoped that as many Stockholders as are able will attend.

If you cannot attend, however, please sign and mail back the enclosed Proxy.



Contents

Message to Stockholders	3
Year of Achievement	4
Financial Position	6
Marketing	9
Research, Product Control and Manufacturing ..	19
Expansion	20
Administration	22
Financial Statements	23
Officers	31



To the Stockholders of Pepsi-Cola Company:

IN 1957, for the sixth consecutive year, Pepsi-Cola continued to set the pace for the soft drink industry. Despite the national cut-backs in employment and purchasing power which deleteriously affected many industries, by strong resistance we maintained our leadership. Both at home and abroad we sold more Pepsi than ever before in history, and the rate of our growth again exceeded that estimated for the industry as a whole.

Vigorous new marketing activities together with the introduction of new packaging designs and other merchandising equipment furthered public receptivity to the light refreshment and heightened the public respect for the product image.

Responding to flourishing growth and high faith in future progress, the domestic Bottlers of Pepsi-Cola, having already in 1956 broken all records for investment in their businesses, again invested in 1957 almost twenty-five percent more money for plant equipment than in 1956, and expanded their bottling capacity by the largest increase on record. Overseas growth continued rapidly as a dynamic part of our world-wide progress.

Steps were taken toward reducing seasonal fluctuations in our sales and income by enlarging both south of the equator.

Entering 1958 at a rate of growth substantially above that of preceding months, and armed with the continuance of plans, policies, and activities which have set the pace for all the soft drink industry, we look forward confidently to even higher achievements in the months and years to come.

As a record of the past, the following pages foreshadow the bright days ahead.

*Herbert L. Barnet, President (standing) and
Alfred N. Steele, Chairman of the Board of Directors.*

*High speed machines
can now produce
500 bottles per minute.*



1957

Year of Achievement

SETTING THE PACE for an industry means expansion of productive facilities, vertical and horizontal development of outlets and markets, as well as leadership in marketing ideas and sales activities. All these marked the growth of Pepsi-Cola Company in 1957.



New outlets brought Pepsi to many new consumers.



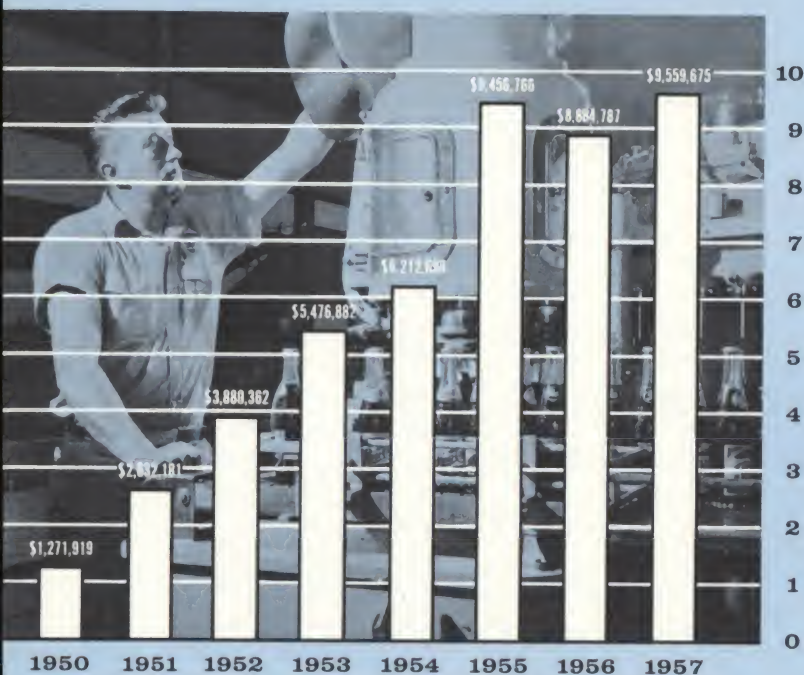
Among thirty-three new plants which arose in drama and dignity on main streets—Chicago.



*Where people go,
Pepsi goes.*

Net Income

MILLIONS OF DOLLARS

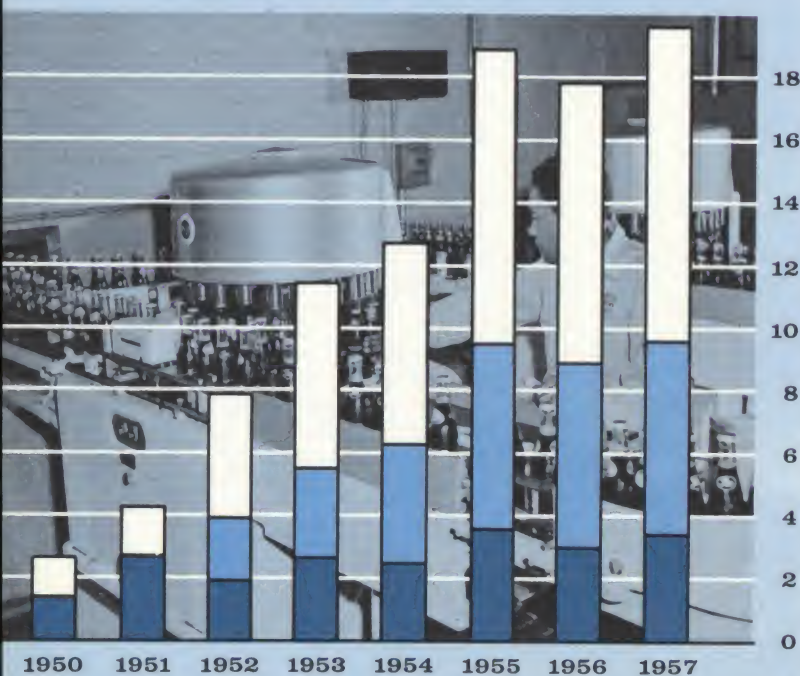


\$.22 .45% .67% .95% 1.06% 1.60 1.50 1.61%

Earnings Per Share of Capital Stock

Application of Earnings

MILLIONS OF DOLLARS



INCOME TAXES
DIVIDENDS
REINVESTED IN BUSINESS

FINANCIAL POSITION

Earnings

Earnings before taxes were \$19,669,675 compared with \$17,884,787 in 1956. This represents an increase of 10.0 percent. Federal and foreign income taxes on 1957 earnings were \$10,110,000 compared with \$9,000,000 in 1956.

Earnings *after* taxes in 1957 were \$9,559,675 compared with \$8,884,787 in 1956. This represents an increase of 7.6 percent.

Earnings per share on the 5,926,205 shares of capital stock outstanding at the end of 1957 were \$1.61 $\frac{1}{3}$ compared with \$1.50 in 1956 on 5,918,655 shares outstanding.

Dividends

In November the Board of Directors authorized an increase in the quarterly dividend from 25 cents per share to 30 cents per share,

so that total payment to stockholders was \$1.05 per share.

<i>Declared</i>	<i>Amount</i>	<i>Paid</i>
Feb. 28, 1957	25¢	Mar. 30, 1957
May 28, 1957	25¢	June 29, 1957
Aug. 22, 1957	25¢	Sept. 30, 1957
Nov. 21, 1957	30¢	Dec. 31, 1957

Since dividends were resumed in 1952, total payments have been \$26,684,920 or \$4.55 per outstanding share.

Sales

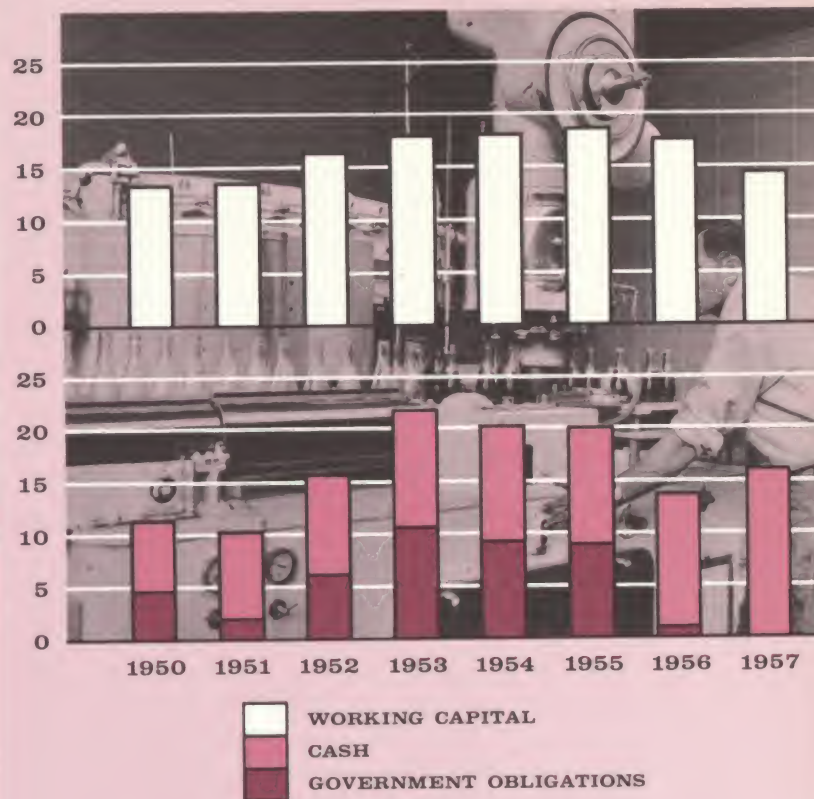
In 1957 reported case sales in the United States were the highest in the Company's history, representing a rate of growth substantially beyond that estimated for the industry as a whole.

After seven consecutive years of growth, case sales in 1957 were 148 percent greater than those of 1950, when present management assumed direction of the Company.

By the end of 1957, 58 domestic plants were selling more than one million cases a year; this compares with 13 such plants in 1950 and 55 in 1956. Moreover, 396 domestic plants reached the highest per capita sales in their history.

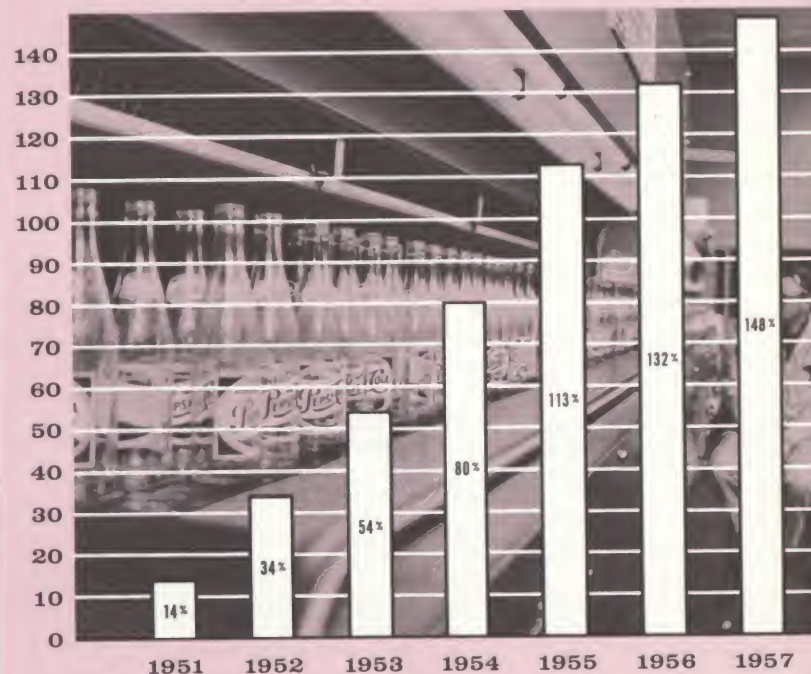
Working Capital, Cash and Government Obligations

MILLIONS OF DOLLARS



Domestic Case Sales Gains

PERCENT INCREASE OVER 1950





Marketing

CONTINUING to set the pace for the soft-drink industry, our marketing activities introduced the product to thousands upon thousands of new customers, presented it in attractive new packaging, displayed it massively in new equipment, and again created and enforced the product image as a charming and pleasurable amenity in high good taste.

For the fifth consecutive year the theme of Pepsi as the Light Refreshment dominated our advertising, in which we invested more heavily than ever before.

Most notably successful, unrivaled by American business, was our co-sponsorship of the two spectacular television shows with the largest viewing audiences of the year. With Rodgers and Hammerstein's original musical *Cinderella*, starring Julie Andrews, we captured an audience of 73,000,000 people, largest in the history of the Columbia Broadcasting Company. With Irving Berlin's *Annie Get Your Gun*, starring Mary Martin, we reached some 66,000,000 people, largest audience for the National Broadcasting Company in 1957. In size these two audiences equalled the combined audiences for nine weeks of a good half-hour network show. In prestige, they had no rivals.

Contributing heavily to the impact of these two shows were the scores upon scores of local promotions with which Pepsi Bottlers aroused greater anticipation from larger audiences, to the extent that in some cities telephone lines were jammed for hours, in



Each month, 140,000,000 readers.



The Pepsi story in Grand Central station doubled the audience of any other sponsor.

New business with show business.



Miss America (Miss Marilyn Van Derbur of Denver) made many appearances for Pepsi.

Marketing (continued)

others crowds packed the streets to see the promotion, and industry rewarded the whole activity with its highest praise.

We so much enlarged the tremendous impact of our advertising in print media—national magazines, Sunday supplements, and newspapers—that this schedule alone reached approximately one hundred and forty million readers each month.

Recognizing the increase of radio listening, particularly on weekends from portables and automobile radios, we returned to network radio. Each summer weekend on N.B.C.'s Monitor we presented Pepsi com-

Special promotions taught scores of thousands to say, "Pepsi, Please".





At conventions, taste-makers welcomed a pace-setter.

mercials twenty times on the segments featuring Bob and Ray and Fibber McGee and Molly. Such commercials reaching relaxed audiences outdoors had the effect of point-of-sale advertising.

In addition, the ever-popular radio campaign built around the "Pepsi, Please" promotion was used in some forty or more local markets, as an adjunct to the introduction of new package sizes.

Re-inforcing the Company's national advertising, Pepsi Bottlers increased local investments in newspapers, television, radio, posters, and point-of-sale materials, all coordinated to the national themes.

Bottlers overseas also invested more money in Pepsi advertising than ever before, this advertising built on the theme of Pepsi as the "Refreshment of Friendship" and adapting to foreign markets much domestic material.

Bright new packaging and marketing equipment for the product enormously enhanced the sales appeal and secured thousands of



Companionship in time of crisis.

new outlets and larger displays. The six-and-one-half ounce bottle with the swirl design, which had been tested in 1956, by year's end was on sale in more than sixty markets. Suitable for many preferences and especially adaptable to vending sales, this new bottle will be further introduced into many additional markets.



More Pepsi at more fountain outlets.



Trained salesmen made better salesmen.

Marketing (continued)

The Hostess bottle (26 ounces) is also now on sale in over one hundred and twenty-five markets and is being authorized for additional territories.

During the year also introduction after testing began of a new swirl design for the twelve-ounce bottles. Thus, as introduction into new markets continues, not only a complete line of bottle sizes to suit each preference but also complete uniformity of design reaches national distribution.

A dramatic new design for on-premise dispensing equipment—vending machines, coolers, premix units, and fountain dispensers—eye-catching, and adapted to modern merchandising, was announced toward the end of the year and will begin to make its appearance in outlets during the early part of 1958.

So striking in appearance as to be far advanced beyond all present equipment these new designs should dramatically improve our position in on-premise sales. Their introduction will be preceded and backed by intensive promotional activities.



Special service for special events.



In addition, more and more Bottlers continue to enlarge distribution through Premix units. With a newly developed plan to permit bottling in these ten-gallon and five-gallon Premix tanks with only small investment now available to Bottlers, we anticipate further rapid and dramatic gains in Premix sales.

All in all, during 1957 Bottlers invested in marketing equipment and sales tools more than twenty million dollars.

Much of this equipment was put to use in furthering the popularity of Pepsi at thousands of sporting events, state and county fairs, carnivals and circuses, and other special events. Notable among such events were the International Boy Scout Jamboree in Valley Forge, where youngsters bought more than 300,000 drinks of Pepsi from Premix units and the automobile races at 150 NASCAR Tracks, where Pepsi is often the exclusive cola drink. In addition, as a sponsor of the National Beauty Pageant at Atlantic City, the Company during the latter part of 1957 began a full year of sponsoring the personal appearance of Miss America at many special events across the country.

Since many special events are also served by fountain sales rather than bottles it is noteworthy that our increase in fountain sales since 1950 has been almost three hundred percent.

Growth continued in many other special directions. Introducing Pepsi during the year to many new and large military installations



New "light look" equipment sets a new high in merchandising.



At Valley Forge, boundless thirst.



New "swirl" bottles in the bright new cartons.



*In far-off lands,
Pepsi popularity grew,
here, Lebanon . . .*



. . . In Okinawa, too.



. . . And in Germany.



Marketing (continued)

both at home and abroad, including naval vessels such as the new super-carrier *Ranger*, enlarged military sales. The new twelve-ounce can for overseas military distribution proved exceptionally successful.

The Company considerably intensified the enormously popular training activities offered to Bottlers, more than doubling the number of special training schools held across the country.

All these activities and many others combined to increase growth both domestically and internationally. Overseas, sales growth exceeded domestic growth, which itself bettered industry growth. By year's end, outside the United States and Canada, 167 plants sold Pepsi to over 250 million people in seventy-five countries. Eighteen new plants were opened by Pepsi-Cola International, including the first introduction of our product to the Crown Colony of Hong Kong. In addition Pepsi was made available to the civilian market in Japan for the first time.

In all its marketing activities, whether advertising, promotion, or other sales directions, Pepsi continues to set the pace.





In Times Square, New York City,
the world's largest spectacular sign.



People and Pepsi create companionship.



The *light*
refreshment



"Cinderella", with Julie Andrews, drew the biggest television audience in CBS history.



**For Pepsi, any water
must be purified.**



Modern machinery ...



increases production ...



decreases expense .



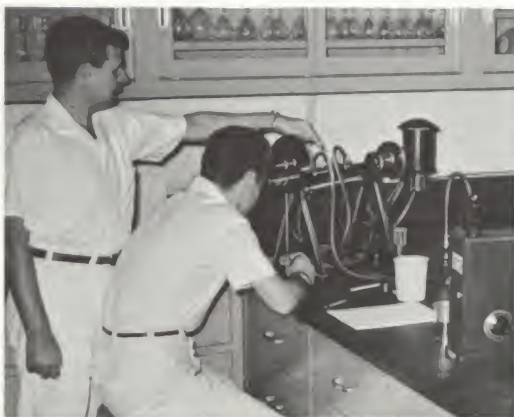
Service makes sales.

Technician takes sugar sample for more than 20 analytical tests.

Research and Product Control

THROUGH continuous inspection, supervision, and research, the Company and the Bottlers vigilantly guard the production of a uniform product of incomparably high quality at every step of the process. To present facilities the Company added a new research laboratory equipped with the most advanced scientific devices to perform thorough evaluation of the purity and quality of each flavor essence entering the product.

During 1957 more RCA Beverage Inspection machines were installed in bottling plants than in any previous period of two years. This represented a Bottler investment of nearly one million dollars solely for safeguarding the high quality of the product.



Polarimeter tests sugar purity.



Jell test checks caramel.

1957 Expansion



Plant openings drew thousands—in one case over 70,000 people in one day.

TO OFFSET some of the seasonal fluctuations in our sales and income, we conducted negotiations for the acquisition of the South African franchise, where the business seasons reverse those north of the equator. Negotiations for this flourishing group of five bottling plants are being completed in 1958. In addition to inaugurating new concentrate plants in Bermuda, Manila, and Offenbach/Main, Germany, the Company installed new and improved facilities in its concentrate plants in Louisville, Kentucky; and Oakland, California.

Domestic Bottlers increased bottling capacity by twenty-nine million cases annually through the erection of fifteen new plants, the installation of twenty-six new bottling lines, and other improvements. New investment by domestic Bottlers alone in land, building, and the equipment of production and transportation exceeded twenty-one million dollars.

New plants erected domestically in 1957 included Fresno and Redding, California;



Tulsa, Oklahoma



Rockville, Maryland



Jacksonville, Florida; Rockville and Havre de Grace, Maryland; Brooklyn and Mount Vernon, New York; Amarillo and Big Spring, Texas; Oshkosh, Wisconsin; Henderson, North Carolina; Boston, Massachusetts; Anderson, Indiana; Decatur, Illinois; and Tulsa, Oklahoma. In addition, major reconstruction took place in Chattanooga, Tennessee; Valley City, North Dakota; and Wilkes-Barre, Pennsylvania.

Overseas, eighteen new plants were opened in twelve countries, as follows: Ciudad Delicias, Celaya, Nuevo Casas Grandes and Oaxaca in Mexico; Mazatenango, Guatemala; Barinas, Venezuela; Paso de los Toros, Uruguay; Pereira, Colombia; Recife, Brazil; Hong Kong; Kuala Lumpur, Malaya; Reyadh, Saudi-Arabia; Ahwaz, Iran; Mbale, Uganda; and Hønefoss, Brumunddal, Larvik, and Skien in Norway.

By year's end forty other plants at home and abroad were under construction or planned for opening in 1958.



Overseas were eighteen new openings.



Domestic Bottlers increased capacity by 29,000,000 cases.



Fresno, California



Henderson, North Carolina

Administration

IN RECOGNITION of enlarged responsibilities in the Company's greater expansion, the Board of Directors authorized the following administrative changes:

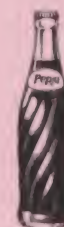
Donald M. Kendall, formerly Vice President in charge of National Accounts and Syrup Sales, was promoted to President of Pepsi-Cola International.

Charles Baker was promoted to director of National Accounts and Syrup Sales Department and made a Vice President of the Company.

FINANCIAL STATEMENTS



EIGHT-YEAR COMPARISON



FINANCIAL RESULTS

	1957	1956	1955	1954	1953	1952	1951	1950
Gross Profit on Sales . . .	\$85,564,391	\$69,139,792	\$62,823,327	\$51,787,727	\$45,419,752	\$35,022,415	\$30,216,383	\$23,765,879
Income Before United States and Foreign Income Taxes . . .	19,669,675	17,884,787	18,880,766	12,703,690	11,384,412	7,834,126	4,192,890	2,544,610
Net Income	9,559,675	8,884,787	9,456,766	6,212,690	5,476,882	3,880,362	2,632,181	1,271,919
Earnings Per Share . . .	1.61½	1.50	1.60	1.06¾	.95½	.67½	.45¾	.22
Dividends	6,220,528	5,915,830	5,897,090	3,769,493	2,871,752	2,010,227	—	—
Dividends Per Share . . .	1.05	1.00	1.00	.65	.50	.35	—	—
Shares Outstanding . . .	5,926,205	5,918,655	5,909,005	5,813,155	5,743,505	5,743,505	5,736,005	5,736,005

FINANCIAL POSITION

	1957	1956	1955	1954	1953	1952	1951	1950
Current Assets	\$33,748,837	\$32,018,582	\$32,803,026	\$29,309,566	\$29,850,407	\$23,459,670	\$18,538,797	\$17,248,807
Current Liabilities	19,396,554	14,566,258	14,300,372	11,227,522	11,854,418	7,048,898	4,830,536	3,784,171
Working Capital	\$14,352,283	\$17,452,324	\$18,502,654	\$18,082,044	\$17,995,989	\$16,410,772	\$13,708,261	\$13,464,636
Fixed Assets—Net	31,839,309	24,323,023	20,103,341	17,172,325	14,758,730	13,980,506	15,044,434	10,939,904
Other Assets	11,777,999	6,390,925	5,180,719	4,305,246	3,963,617	3,720,446	3,374,015	3,171,161
Total	\$57,969,591	\$48,166,272	\$43,786,714	\$39,559,615	\$36,718,336	\$34,111,724	\$32,126,710	\$27,575,701
Long Term Indebtedness and Customers' Deposits	12,394,706	6,002,051	4,692,600	4,939,642	5,111,280	5,109,798	5,309,341	5,221,898
Stockholders' Equity . . .	\$45,574,885	\$42,164,221	\$39,094,114	\$34,619,973	\$31,607,056	\$29,001,926	\$26,817,369	\$22,353,803

ACCOUNTANTS' CERTIFICATE

HASKINS & SELLS
Certified Public Accountants

67 Broad Street
New York 4

THE DIRECTORS AND STOCKHOLDERS
OF PEPSI-COLA COMPANY:

We have examined the balance sheet of Pepsi-Cola Company and its consolidated subsidiaries as of December 31, 1957 and the related summaries of consolidated income and surplus for the year then ended. As to companies other than the Philippine Islands subsidiaries our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As to the Philippine Islands subsidiaries, we examined reports of other accountants, and the figures of those companies included in the accompanying statements are derived from such reports. The total assets of those subsidiaries amount to approximately 7% of the consolidated total, and their gross profit on sales and net income aggregate approximately 5% and 3%, respectively, of the consolidated totals.

In our opinion, which as to the Philippine Islands subsidiaries is based upon the reports of other accountants, the accompanying consolidated balance sheet, and the related summaries of consolidated income and surplus present fairly the financial position of the companies at December 31, 1957 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

March 17, 1958

Haskins & Sells

CONSOLIDATED BALANCE SHEET

December 31, 1957 and 1956

Pepsi-Cola Company and Consolidated Subsidiaries



ASSETS	1957	1956
CURRENT ASSETS:		
Cash	\$16,052,109	\$12,743,866
United States Government obligations—at cost		1,016,819
Notes and accounts receivable (less allowance for doubtful receivables—1957, \$493,138; 1956, \$385,065)	9,984,668	11,115,450
Inventories:		
Finished, in-process, raw materials and supplies	6,107,405	4,743,713
Vending equipment held for resale	1,604,655	2,398,734
Total current assets	<u>\$33,748,837</u>	<u>\$32,018,582</u>
MISCELLANEOUS ASSETS:		
Notes and accounts receivable—not current	\$ 2,619,185	\$ 1,493,497
Investment in and advances to subsidiaries not consolidated . .	493,061	492,501
Other	476,661	475,671
Total miscellaneous assets	<u>\$ 3,588,907</u>	<u>\$ 2,461,669</u>
PROPERTY, PLANT AND EQUIPMENT:		
Land, buildings, equipment, leasehold improvements, etc.—at cost (less depreciation and amortization—1957, \$17,433,332; 1956, \$12,305,797)	\$24,391,371	\$18,674,921
Bottles and cases on hand and with trade (at estimated depreciated values)	7,447,938	5,648,102
Total property, plant and equipment—net	<u>\$31,839,309</u>	<u>\$24,323,023</u>
DEFERRED DEBIT ITEMS:		
Prepaid insurance, taxes, etc.	\$ 630,123	\$ 548,101
Advertising materials and expenses	3,843,121	2,983,427
Other	162,236	225,897
Total deferred debit items	<u>\$ 4,635,480</u>	<u>\$ 3,757,425</u>
TRADEMARKS, FORMULAS AND GOODWILL (less amortization) . . .	<u>\$ 3,553,612</u>	<u>\$ 171,831</u>
TOTAL	<u>\$77,366,145</u>	<u>\$62,732,530</u>

Reference is made to the accompanying Notes to Financial Statements starting at Page 29

CONSOLIDATED BALANCE SHEET

December 31, 1957 and 1956

Pepsi-Cola Company and Consolidated Subsidiaries



LIABILITIES	1957	1956
CURRENT LIABILITIES:		
Notes payable (including current installments on long-term indebtedness)	\$ 3,777,949	\$ 419,634
Accounts payable and accrued	5,733,981	4,985,720
Accrued taxes:		
United States and foreign income taxes	8,243,521	7,785,824
Other taxes	<u>1,641,103</u>	<u>1,375,080</u>
Total current liabilities (exclusive of customers' deposits on bottles and cases, shown below)	<u>\$19,396,554</u>	<u>\$14,566,258</u>
OTHER LIABILITIES:		
Long-term indebtedness (current installments included above):		
Notes payable (1957: \$4,332,605 due in 1959, \$2,995,000 in 1960, and \$359,509 in 1961)	\$ 7,687,114	\$ 1,845,695
Mortgage payable \$66,668 annually, balance due in 1961	1,183,330	1,249,998
Customers' deposits on bottles and cases	<u>3,524,262</u>	<u>2,906,358</u>
Total other liabilities	<u>\$12,394,706</u>	<u>\$ 6,002,051</u>
CAPITAL STOCK AND SURPLUS:		
Capital stock—authorized, 7,500,000 shares of 33 $\frac{1}{3}$ ¢ each; issued and outstanding at December 31, 1957, 5,926,205 shares	\$ 1,975,402	\$ 1,972,885
Capital surplus	7,123,420	7,054,420
Earned surplus	<u>36,476,063</u>	<u>33,136,916</u>
Total capital stock and surplus	<u>\$45,574,885</u>	<u>\$42,164,221</u>
TOTAL	<u>\$77,366,145</u>	<u>\$62,732,530</u>

Reference is made to the accompanying Notes to Financial Statements starting at Page 29

SUMMARY

Pepsi-Cola Company and Consolidated Subsidiaries



CONSOLIDATED INCOME

for the years ended December 31, 1957 and 1956

	1957	1956
GROSS PROFIT ON SALES	\$85,564,391	\$69,139,792
ADVERTISING, SELLING, SHIPPING, GENERAL AND ADMINISTRATIVE EXPENSES	66,256,352	52,091,110
PROFIT FROM OPERATIONS	\$19,308,039	\$17,048,682
OTHER INCOME	1,382,029	1,051,154
GROSS INCOME	\$20,690,068	\$18,099,836
INCOME CHARGES	1,020,393	215,049
INCOME BEFORE PROVISIONS FOR INCOME TAXES	\$19,669,675	\$17,884,787
PROVISIONS FOR UNITED STATES AND FOREIGN INCOME TAXES:		
United States	\$ 7,584,000	\$ 7,068,000
Foreign	2,526,000	1,932,000
TOTAL	\$10,110,000	\$ 9,000,000
NET INCOME	\$ 9,559,675	\$ 8,884,787

CONSOLIDATED SURPLUS

for the year ended December 31, 1957

	EARNED SURPLUS	CAPITAL SURPLUS
BALANCE, JANUARY 1, 1957	\$33,136,916	\$ 7,054,420
NET INCOME FOR THE YEAR	9,559,675	
EXCESS OF PROCEEDS OVER PAR VALUE OF 7,550 SHARES OF CAPITAL STOCK ISSUED UNDER STOCK OPTION PLANS		69,000
TOTAL	\$42,696,591	\$ 7,123,420
DIVIDENDS (\$1.05 a share)	6,220,528	
BALANCE, DECEMBER 31, 1957	\$36,476,063	\$ 7,123,420

Reference is made to the accompanying Notes to Financial Statements starting at Page 29

NOTES TO FINANCIAL STATEMENTS

December 31, 1957

1. The inventories are stated at cost, certain inventories being at average cost and the others being on the basis of first-in, first-out. Such costs were not in excess of market.

2. The accounts of all foreign subsidiaries, which are summarized below, are included, except as to the British subsidiary (which has been excluded since 1950), in the 1957 consolidated financial statements.

	Current Assets	Current Liabilities	Total Assets	Total Liabilities	Earned Surplus (Deficit)	Net Income (Loss) For Year
Bermuda	\$ 506,063	\$ 533,012	\$ 894,364	\$ 533,012	\$ 94,615	\$ 94,615
Canada	2,671,161	908,453	6,776,888	1,434,822	2,982,407	650,720
Cuba	352,488	178,659	2,065,908	342,283	(1,457,035)	(430,530)
France	124,490	48,509	329,466	48,509	(30,806)	(107,255)
Germany	308,375	92,319	611,685	241,828	(137,309)	204,196
Mexico	1,407,565	393,732	3,308,128	393,732	2,235,541	377,412
Philippine Islands	1,550,393	2,543,211	5,338,284	2,785,767	280,064	280,064
South America	321,959	58,857	415,735	58,857	(60,790)	(79,641)
Great Britain (and subsidiaries)	623,726	510,537	1,294,320	544,784	292,550	(352,670)

The assets and liabilities of these subsidiaries have been translated into United States dollars at current rates of exchange, except that property, plant and equipment (and related depreciation) have been translated at rates prevailing at dates of acquisition; income and expenses (other than depreciation) have been translated at rates prevailing during the year.

Provisions for taxes related to the transfer of income to the United States are made only at the time of such transfers.

3. The Federal income tax returns of the Company and domestic subsidiaries have been examined and settled through the year 1952; the tax returns for the years 1953, 1954, and 1955 are under examination.

4. The terms of an agreement, as amended as of March 7, 1958, relating to certain of the notes payable which mature in 1959, provide, among other things, that the Company will maintain the consolidated net working capital of the Company and consolidated subsidiaries at not less than \$12,000,000 and that the aggregate of dividends paid or declared since December 31, 1956 may not exceed the consolidated net income of the Company and its consolidated subsidiaries since that date. Of the consolidated earned surplus at December 31, 1957, \$2,352,283 is free of restriction.

NOTES TO FINANCIAL STATEMENTS • CONTINUED

5. During 1952 and 1956 the stockholders approved the adoption of Stock Option Plans under which 400,000 shares of the Company's capital stock were made available for the granting of options to officers and key employees. The following is a summary of transactions under the Plans during 1957:

	Number of Shares	Option Value	Market Valuation at Dates of Grant
Shares under option at December 31, 1956	174,300	\$3,648,084	\$3,852,019
Options granted during year	7,000	135,338	150,375
TOTAL	181,300	\$3,783,422	\$4,002,394
Options exercised during year	7,550	\$ 71,516	\$ 76,050
Options lapsed during year	7,050	158,716	167,069
TOTAL	14,600	\$ 230,232	\$ 243,119
Shares under option at December 31, 1957	166,700	\$3,553,190	\$3,759,275

Options are exercisable within five years from the respective dates of grants. At December 31, 1956 and 1957, 59,050 shares and 57,050 shares, respectively, were available for grants.

6. The Company and its consolidated subsidiaries are tenants under 64 leases with original terms of one year or more which expire at various dates to 1992. The present minimum aggregate annual rental under these leases is approximately \$1,175,000.

7. At December 31, 1957 the Company and consolidated subsidiaries were contingently liable as guarantors of loans, principally to various franchised Bottlers, aggregating \$4,237,000.

8. The provisions for depreciation and amortization charged to manufacturing and expense accounts amounted to \$3,900,000 in 1957, and \$2,630,000 in 1956.

OFFICERS

BOARD OF DIRECTORS

Alfred N. Steele <i>Chairman</i>	James Felt
James W. Carkner <i>Honorary Chairman</i>	Harry E. Gould
Charles Allen, Jr.	Mortimer Hays
Herbert L. Barnet	Christopher E. Holzworth
James G. Blaine	Milward W. Martin
Sheldon R. Coons	Dr. Louis A. Rezzonico
	George C. Textor

OFFICERS

*Chairman of the Board
and Chief Executive Officer*
Alfred N. Steele

President
Herbert L. Barnet

Vice-Presidents

Charles N. Baker <i>National Accounts and Syrup Sales</i>	Stephen J. Gullo <i>Product Control</i>
John L. Bate <i>Western Division</i>	Seymour Lusterman <i>Market Research</i>
Richard H. Burgess <i>Domestic Sales</i>	Milward W. Martin <i>Secretary, Law Department</i>
D. Mitchell Cox <i>Sales Promotion</i>	Henry E. McGovern <i>Equipment</i>
J. Charles Derrick <i>Advertising</i>	Neil A. Morrison <i>Plant Design and Engineering</i>
William C. Durkee <i>Central Division</i>	Louis E. Nufer <i>Treasurer</i>
Thomas Elmezzi <i>Manufacturing</i>	Carl B. Salts <i>Eastern Division</i>
Stephen L. Galvin <i>Director of Research</i>	A. Allen Thomson <i>Sugar Division</i>
Eugene B. Gilbert <i>Southern Division</i>	

Adolph Krieger, Jr.
Controller

Alfred N. Steele
*Chairman of the Board of Directors
Pepsi-Cola International, Ltd.*

Donald M. Kendall
President of Pepsi-Cola International, Ltd.

Emmett R. O'Connell
President of Metropolitan Bottling Company, Inc.

Frank W. McIntosh
President of Pepsi-Cola Company of Canada, Ltd.

TRANSFER AGENTS

The Marine Midland Trust Company of New York
The First National Bank of Jersey City
Harris Trust and Savings Bank
(Chicago, Illinois)

REGISTRARS

The Chase Manhattan Bank
(New York, N. Y.)
The First National Bank of Chicago
(Chicago, Illinois)

PEPSI-COLA COMPANY

EXECUTIVE OFFICES

3 West 57th Street
New York 19, New York

DIVISION OFFICES

Pure Oil Building
Chicago 11, Illinois (Central)

1012 14th Street, N. W.
Washington 5, D. C. (Eastern)

1005 Mercantile Securities Building
Dallas 1, Texas (Southern)

223 South Beverly Drive
Beverly Hills, California (Western)

REGIONAL OFFICES

1401 Peachtree Building
Atlanta 9, Georgia

Pure Oil Building
Chicago 11, Illinois

4300 LeVeque Lincoln Tower Building
Columbus 15, Ohio

1005 Mercantile Securities Building
Dallas 1, Texas

817 17th Street, Suite 731
Denver 2, Colorado

785 Market Street
San Francisco 3, California

37 Lewis Street
Hartford, Connecticut

1012 14th Street, N. W.
Washington 5, D. C.

Address all communications to:

Secretary, Pepsi-Cola Company, 3 West 57th Street, New York 19, New York





NEW PEPSI-COLA WORLD HEADQUARTERS

*Upon completion at 500 Park Avenue
in New York City, this imposing
and pace-setting structure on which
preliminary work has already begun
will be the new World Headquarters
of Pepsi-Cola Company.*

